(d) if so, the details thereof;

(e) whether Government propose to liberalize the import/export norms in this regard; and

(f) if so, the details thereof?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) to (f) A Comprehensive Economic Cooperation Agreement (CECA) between India and Singapore was signed on 29th June, 2005, which came into effect from 1st August, 2005. To further expand the tariff liberalization package within the Trade in Goods chapter, India and Singapore have signed a Protocol on 20-12-2007 to amend the India-Singapore CECA. Details of the agreement are available at *www.commerce.nic.in/trade/international_ta_framework_ceca.asp.*

India-Singapore bilateral trade increased from US $ 6.65 billion in 2004-05 to US $ 15.49 billion in 2007-08 at a compounded annual growth rate of 32.53%. The top 5 items of export from India to Singapore during 2007-08 were; light oils and preparations, other petroleum oils and oils obtained from bituminous minerals *etc.*, special transactions and commodities not classified according to kind, floating/submersible drilling/production platform and; aluminium-not alloyed.

Similarly, top 5 items of import from Singapore to India during 2007-08 were; other petroleum oils and oils obtained from bituminous minerals, self propelled boring/sinking machinery, other vessels and floats *etc.*, unused postage revenue/similar stamps of current and new issues stamps/impressed paper/cheque from bank/stock share certificate and similar title documents and; styrene.

Impact of FDI on rural economy

1719. DR. GYAN PRAKASH PILANIA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Government had instituted a study to assess the impact or organized retailing on unorganized retail trade through Indian Council for Research on International Economic Relation (ICRIER) and Government had also commissioned a study to the National Council of Applied Economic Research (NCAER) on Growth linkages of FDI in india which would focus on the impact of FDI on rural economy;

(b) if so, whether their reports have been received; and

(c) if so, their contents follow up action taken thereof?

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION, MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR): (a) Yes, Sir.

(b) The final report by the Indian Council for Research on International Economic Relations (ICRIER) has been received. The report by the National Council of Applied Economic Research (NCAER) has not been received as yet.

(c) The findings, recommendations and follow-up action on the report furnished by the ICRIER are given in the Statement.

Statement

Findings and Recommendations of ICRIER

The real GDP is expected to grow at 8-10 per cent per annum in the next five years. As a result, the consuming class with annual household incomes above Rs. 90,000 is expected to rise from about 370 million in 2006-07 to 620 million in 2011-12. Consequently, the retail business in India is estimated to grow at 13 per cent annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12. The study shows:—

- The unorganized retail sector is expected to grow at about 10 per cent per annum with sales rising from US$ 309 billion in 2006-07 to US$ 496 billion in 2011-12.
- Given the relatively weak financial state of unorganized retailers, and the physical space constraints on their expansion prospects, this sector alone will not be able to meet the growing demand for retail.
- Hence, organized retail which now constitutes a small four per cent of total retail sector is likely to grow at a much faster pace of 45-50 per cent per annum and quadruple its share in total retail trade to 16 per cent by 2011-12.
- This represents a positive sum game in which both unorganized and organized retail not only coexist but also grow substantially in size.
- The majority of unorganized retailers surveyed in this study, indicated their preference to continue in the business and compete rather than exit.

The Empirical Basis

The study comprised of survey of all segments of the economy that could be affected by the entry of large corporates in the retail business. The findings are based on a survey of 2020 unorganized small retailers across 10 major cities; 1318 consumers shopping at both organized and unorganized retail outlets; 100 intermediaries; and 197 farmers. In addition, a "control sample" survey was done of 805 unorganized retailers who are not in the vicinity of organized retail outlets in four metro cities.

Detailed interviews were also carried out for 12 large manufacturers, 20 small manufacturers and six established modern retailers.

The study contains an extensive review of international retail experience, particularly from the major emerging market economies.

Main Findings

Impact on Unorganized Retailers

- Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers.

- The adverse impact on sales and profit weakens over time.
- There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers.
- There is some decline in employment in the North and West regions which, however, also weakens over time.
- The rate of closure of unorganized retail shops in gross terms is found to be 4.2 per cent per annum which is much lower than the international rate of closure of small businesses.
- The rate of closure on account of competition from organized retail is lower still at 1.7 per cent per annum.
- There is competitive response from traditional retailers through improved business practices and technology upgradation.
- A majority of unorganized retailers is keen to stay in the business and compete, while also wanting the next generation to continue likewise.
- Small retailers have been extending more credit to attract and retain customers.
- However, only 12 per cent of unorganized retailers have access to institutional credit and 37 per cent felt the need for better access to commercial bank credit.
- Most unorganized retailers are committed to remaining independent and barely 10 per cent preferred to become franchisees of organized retailers.

Impact on Consumers

- Consumers have definitely gained from organized retail on multiple counts.
- Overall consumer spending has increased with the entry of the organized retail.
- While all income groups saved through organized retail purchases, the survey revealed that lower income consumers saved more. Thus, organized retail is relatively more beneficial to the less well-off consumers.
- Proximity is a major comparative advantage of unorganized outlets.
- Unorganized retailers have significant competitive strengths that include consumer goodwill, credit sales, amenability to bargaining, ability to sell loose items, convenient timings, and home delivery.

Impact on Intermediaries

- The study did not find any evidence so far of adverse impact of organized retail on intermediaries.
- There is, however, some adverse impact on turnover and profit of intermediaries dealing in products such as, fruit, vegetables, and apparel.

- Over two-thirds of the intermediaries plan to expand their businesses in response to increased business opportunities opened by the expansion of retail.
- Only 22 per cent do not want the next generation to enter the same business.

Impact on Farmers

- Farmers benefit significantly from the option of direct sales to organized retailers.
- Average price realization for cauliflower farmers selling directly to organized retail is about 25 per cent higher than their proceeds from sale to regulated government *mandi*.
- Profit realization for farmers selling directly to organized retailers is about 60 per cent higher than that received from selling in the *mandi*.
- The difference is even larger when the amount charged by the commission agent (usually 10 per cent of sale price) in the *mandi* is taken into account.

Impact on Manufacturers

- Large manufacturers have started feeling the competitive impact of organized retail through price and payment pressures.
- Manufacturers have responded through building and reinforcing their brand strength, increasing their own retail presence, 'adopting' small retailers, and setting up dedicated teams to deal with modern retailers.
- Entry of organized retail is transforming the logistics industry. This will create significant positive externalities across the economy.
- Small manufacturers did not report any significant impact of organized retail.

Policy Recommendations

On the basis of the results of the surveys and the review of international retail experience, the study makes the following major recommendations:—

1. Modernization of wetmarkets through public-private partnerships.
2. Facilitate *cash-and-carry* outlets, like Metro, for sale to unorganized retail and procurement from farmers, as in China.
3. Encourage co-operatives and associations of unorganized retailers for direct procurement from suppliers and farmers.
4. Ensure better credit availability to unorganized retailers from banks and micro-credit institutions through innovative banking solutions.
5. Facilitate the formation of farmers' co-operatives to directly sell to organized retailers.
6. Encourage formulation of "private codes of conduct" by organized retail for dealing with small suppliers. These may then be incorporated into enforceable legislation.

7. Simplification of the licensing and permit regime for organized retail and move towards a nationwide uniform licensing regime in the states to facilitate modern retail.

8. Strengthening the Competition Commission's role for enforcing rules against collusion and predatory pricing.

9. Modernization of APMC markets as modelled on the National Dairy Development Board (NDDB) Safal market in Bangalore.

Follow-up action on the ICRIER Report

- The ICRIER Report has been forwarded to the State Governments and Secretaries of the Central Government Ministries.
- On the issue of ensuring better credit availability to unorganized retailers from banks, Department of Financial Services has informed that the guidelines in force already provide for extending credit to retailers under the Priority Lending scheme.

Trade through Attari-Wagha border

†1720. SHRI SHREEGOPAL VYAS: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the names of the countries with which trade is operated through Attari-Wagah border;

(b) the amount of trade with each country during the last three years; and

(c) the potential of trade in ensuing years alongwith the names of commodities?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) The countries with which trade is operated through Attari Wagah are Pakistan and Afghanistan. For trade by road, Pakistan has opened Wagah border only for importing certain essential commodities from India since May 2005. Apart from this, only fruits are imported from Afghanistan into India by this route.

(b) The volume of India's trade with Pakistan and Afghanistan is given below:—

India-Pakistan bilateral trade in US$ million

Year	Exports to Pakistan	Imports from Pakistan	Total Trade
2005-2006	689	180	869
2006-2007	1349	323	1672
2007-2008	1944	288	2232
2008-2009 (April-July)	614	124	738

†Original notice of the question was received in Hindi.